HOUSING MARKET OUTLOOK

Trois-Rivières

Canada Mortgage and Housing Corporation

www.cmhc.ca

SPRING 2006

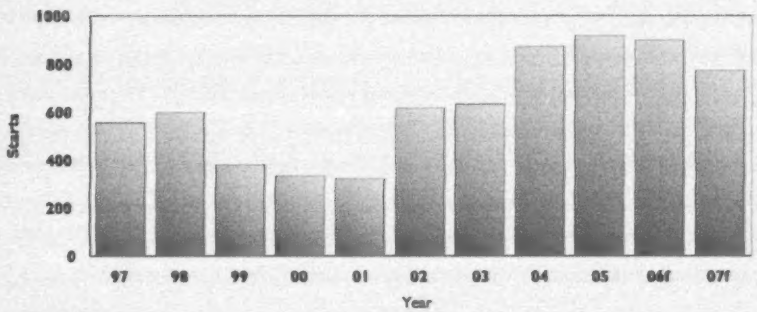
Residential Construction to Stay Dynamic in 2006 Before Slowing Down in 2007

The year 2006 will be much like 2005, that is, most dynamic for residential construction in the Trois-Rivières CMA. A series of factors will stimulate the new home market in the area. The good performance of the regional job market in 2005 will have a positive impact on housing starts, and this effect will be felt for a good part of 2006. But above all, it is rental housing construction that will support activity on residential job sites. For the past few years, this market segment has been most active, and high volumes of rental housing starts have been registered. The particularly tight conditions on the rental market in the area account for this phenomenon. In fact, the vacancy rate in the Trois-Rivières area has been relatively low since 2003. This has prompted several developers to start construction on such units. For 2006, despite some expected easing, the rental market will still remain tight, which will continue to stimulate construction. In 2006, activity should remain stable in relation to 2005 as, in all, close to 900 starts are anticipated (-2.0 per cent).

For the year 2007, a decrease in starts is expected. The combined effect of the slower employment

Residential Construction

Trois-Rivières Metropolitan Area



f: CMHC forecasts
Source: CMHC

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growth anticipated in 2006 and 2007 and the easing rental market conditions will contribute to bringing down the starts volume. In fact, in 2007, a total of 775 new dwellings will be added to the housing stock in the area, for a decline of 14 per cent from the 2006 level.

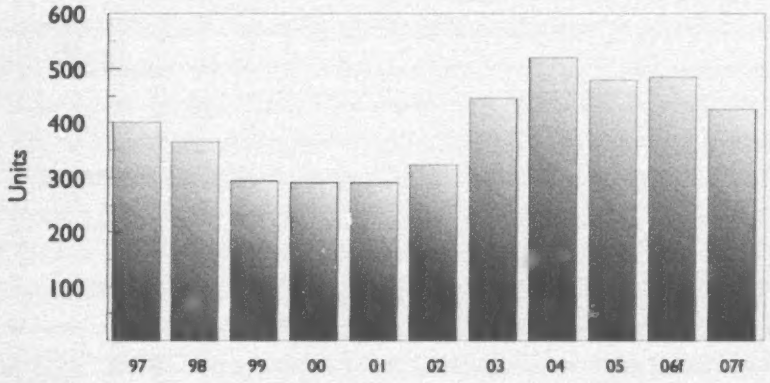
Freehold Homes*: Activity to Remain Stable in 2006 Before Declining in 2007

After registering a certain decrease in 2005, as a result of the poor performance of the job market in 2004, freehold home starts will regain some strength in 2006. Several factors will boost demand, particularly the conditions on the resale market, which is still relatively tight. Given the relative lack of existing properties for sale, many potential buyers will opt for a new home. The dynamic performance of the job market in the area during 2005 will also have a positive impact on freehold home starts, as will the mortgage rates, which will remain affordable. On the other hand, not withstanding these favourable conditions for home construction, the weaker growth in the number of households, which began a few years ago already, will be much more pronounced in 2006, which will limit demand. All these factors combined will have the net effect of keeping freehold home starts stable in 2006, as foundations should be laid for a total of 485 houses of this type.

In 2007, the decrease in freehold home starts will be more marked. With continued easing on both the resale and rental markets, mortgage rates that will keep rising and continued slower growth in the number of households, demand for freehold homes will weaken. In addition, the repercussions of the job market slowdown in 2006 will also start to be felt on the housing market. In all, 425 freehold houses should be started in 2007, for a decrease of 12 per cent compared to the 2006 level.

Freehold Home Starts

Trois-Rivières Census Metropolitan Area



Source: CMHC

Mortgage Rates to Stay Relatively Low Despite Upward Trend

Mortgage rates will continue the rising trend that began a few quarters ago already. Despite this upward movement, the rates will stay relatively low, and the anticipated increases will be moderate. In fact, tempered inflation and the strength of the Canadian dollar against the U.S. currency will limit the extent and pace of the increase in mortgage rates.

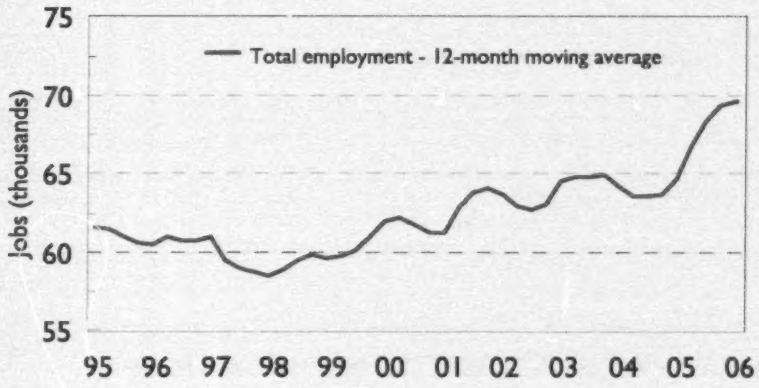
From now until the end of 2006, rates will rise gradually, gaining 50 to 75 basis points. The posted one-year, three-year and five-year mortgage rates will range from 5.75 per cent to 6.75 per cent, from 6.00 per cent to 6.75 per cent and from 6.25 per cent to 7.25 per cent, respectively. The increase will be smaller in 2007, as mortgage rates should go up by no more than 25 basis points compared to their 2006 annual averages.

Job Market: a Slowdown After a Dynamic Year

After a dynamic year for employment in 2005, in the Trois-Rivières census metropolitan area (CMA), with the creation of close to 6,000 jobs, a slowdown is in sight. It will be difficult to maintain the rate of increase in employment observed during the past year, and the growth should be much more moderate over the coming months. In fact, for the years 2006 and 2007, employment growth in the Trois-Rivières area should hover be-

* Freehold homes include detached, semi-detached and row houses.

Employment Growth Easing After Strong Increase in 2005
Trois-Rivières Metropolitan Area



Source: Statistics Canada

tween 0.5 per cent and 1.0 per cent, which is far from the level of nearly 10 per cent recorded in 2005.

The manufacturing sector, which accounts for a significant share of the regional economy, is starting to be put to the test and is showing signs of slowing down. This sector is beginning to increasingly feel the repercussions of the prevailing economic conditions, notably, a strong Canadian dollar and ever more intense competition from emerging countries. In addition, the recent rate increases in the energy sector will also affect the manufacturing sector and further limit the flexibility of these industries. Some companies are already experiencing difficulties. This is particularly the case of a few furniture makers.

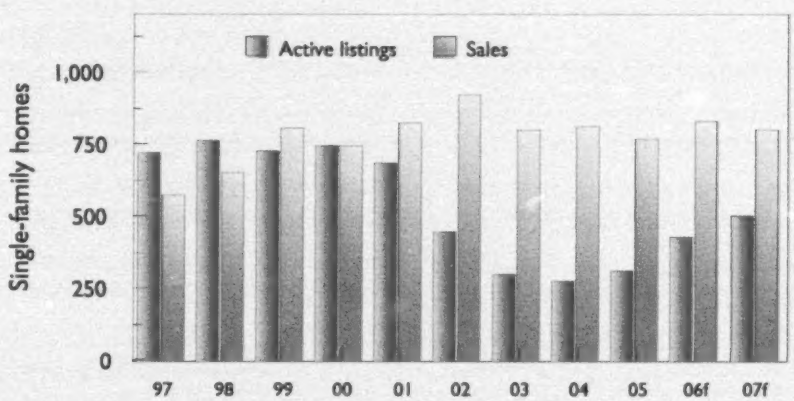
As well, some good news was announced in recent months. In fact, the construction of the Dayco automotive parts plant should generate more than 400 jobs over the next five years.

The impact of the economic slowdown on the real estate market in the area should only start being felt during the second half of the year. In fact, since it takes around four to six quarters for a change on the job market to affect the housing market, the year 2006 should still be dynamic overall, as the good performance of the job market in 2005 will continue to be felt for a good part of 2006. In 2007, however, the repercussions of the job market slowdown on residential real estate should be more pronounced.

Resale Market to Remain Active Before Easing Slightly in 2007

In the Trois-Rivières CMA, activity will remain steady on the resale market in 2006. The good performance of the job market in 2005 will help stimulate existing home sales throughout the year. In addition, the rise in listings observed in recent quarters will allow demand, which had so far been limited in part by the few properties for sale on the market, to be further expressed. And, the economic environment is still favourable. In fact, despite being on an upward trend, mortgage rates remain

MLS® Sales
Trois-Rivières Metropolitan Area



Source: CIM (CMHC compilation) f: CMHC forecast

relatively low and should stay at such levels from now until the end of 2006. Also, the still tight rental market conditions will incite some renters to make the move to homeownership. The combination of these factors will result in a rise in MLS® transactions, which should reach 830 units in 2006. The anticipated increase in sales in 2006 will curb the rise in the seller-to-buyer ratio, which will attain 5.2 to 1 by the end of this year. Such a ratio will signify a situation where sellers still have the advantage, and this will be reflected in the growth in the average price of single-family homes, which should vary between 4 per cent and 5 per cent.

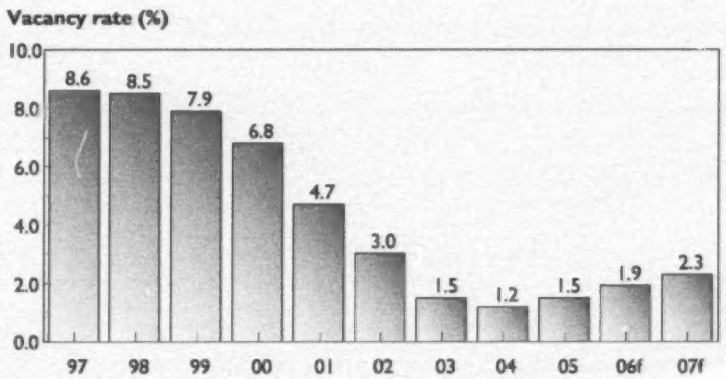
During 2007, the resale market should be more markedly affected by the job market slowdown anticipated in 2006. The mortgage rates, which will continue to rise, will start to make some potential buyers hesitate. This factor, combined with the expected easing of the rental market, will bring about a slight decline in existing home sales. Transactions should fall by around 4 per cent to a total of 800 units in 2007. This decrease in sales will drive up the seller-to-buyer ratio to 6.2 to 1. This easing of the market will therefore take some pressure off prices, which will rise by about 2 or 3 per cent.

Rental Market Easing

In the Trois-Rivières area, the easing trend on the rental market that began in 2005 should continue over the next two years. In fact, the low vacancy rates registered in 2003 and 2004 significantly stimulated rental housing construction, an activity that developers had somewhat set aside in recent years, in favour of single-family home building. The arrival of new rental dwellings will increase supply and ease the pressure on the market. Since it appears that rental housing construction will be just as dynamic in 2006, it can therefore be expected that this easing movement will continue over the next two years. The vacancy rate should rise to 1.9 per cent in 2006 and then to 2.3 per cent in 2007.

Even though conditions will be easing, the rental market will still remain tight, which will justify above-inflation increases in the average rent. For 2006, the average rent for two-bedroom units[1] will rise by around 3.0 per cent while, for 2007, the increase will be more moderate, at 2.5 per cent, and therefore in line with the inflation rate.

Vacancy Rate Back on the Rise in Trois-Rivières



Source: CMHC (October survey)
f: forecasts

* Multiple Listing Service (MLS)® is a registered certification mark owned by the Canadian Real Estate Association.

[1] Two-bedroom units are often used to give and idea of the general trend on the market. Since the housing stock comprises many units of this type, the increase in posted rental rates is less biased by the arrival of new units, which are often very expensive in comparison with existing apartments.

FORECAST SUMMARY
Trois-Rivières Census Metropolitan Area
Spring-Summer 2006

	2004	2005	2006f	2007f	2005/2006	2006/2007
RESALE MARKET[1]						
Freehold						
MLS® sales	816	773	830	800	7.4 %	-3.6 %
Active MLS® listings	279	313	450	500	37.4 %	16.3 %
Sellers per buyer	4.0	4.8	5.2	6.2	--	--
Average MLS® price ($)						
Single-family homes	102,000	112,250	117,500	120,000	4.7 %	2.1 %
NEW HOME MARKET						
Starts						
Total	874	919	900	775	-2.0 %	-13.9 %
Freehold	520	480	485	425	1.0 %	-12.4 %
Condominium	0	0	0	0	--	--
Rental	354	439	415	350	-5.5 %	-15.7 %
RENTAL MARKET						
Vacancy rate (October) (%)	1.2	1.5	1.9	2.3	--	--
Average rent (2-bedroom) ($)	457	474	488	500	3.0 %	2.5 %
ECONOMIC OVERVIEW						
Mortgage rate - 1-year (%)	4.6	5.1	6.3	6.4	--	--
Mortgage rate - 5-year (%)	6.2	6.0	6.8	6.9	--	--
Annual change in employment	-1,500	6 000	500	600	--	--

[1] The publication of MLS data is made possible thanks to the collaboration of the Québec Federation of Real Estate Boards and the Chambre immobière de la Mauricie. This data may differ from previously published data.

f: CMHC forecasts

Sources: CMHC and Statistics Canada

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